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Avoid Common Mistakes During Tax Season

by Betty T. Yee

April 15th --- a day taxpayers dread each year because that is when their income tax returns are due to the Internal Revenue Service (IRS) and Franchise Tax Board (FTB). Taxpayers fear they will make errors, causing them to lose deductions to which they may be entitled or find out in an audit they owe more tax plus interest and possibly penalties.

Here is how you can avoid common mistakes made in filing income tax returns.

- **File electronically.** If you choose to e-file, many common errors are avoided or corrected by the computer software. For information about the Free File program for your federal return, visit the IRS website at www.irs.gov. For information about the CalFile or the ReadyReturn programs for your state return, visit www.ftb.ca.gov.
- **Use the preprinted labels and envelope from the tax return booklets.**
If you receive preprinted labels and envelopes from the IRS and the FTB, verify the information on the label is correct. If the information is not correct, cross out the incorrect information, and write in the correct information legibly.
- **Include Social Security numbers for yourself and any dependents.**
Make certain your Social Security number(s) appears correctly and legibly on each page or schedule of your return, so if any pages or schedules are separated from your return, they can be re-attached.

For any dependents you claim, include their Social Security numbers on your federal and California returns. If your dependent does not have a Social Security number, you can obtain one by following the instructions at www.socialsecurity.gov.

- **Check your math.**
Make certain there are no addition and subtraction errors and all numbers have been accurately transferred from one schedule to another. For example, the total amount of your Schedule A itemized deductions should match the amount of itemized deductions on your federal Form 1040.
- **Attach all W-2 forms to your return.**
Attach the copy marked "to be filed with federal tax return" to your federal Form 1040 and the copy marked "to be filed with state tax return" to 540 California return. If you received a

form 1099-R showing tax withheld, be sure to attach that one as well. If you believe the W-2s or 1099s contain mistakes, be sure to contact the sender to have the mistakes corrected.

- **Check your 2008 returns.**

If you claimed state income taxes as an itemized deduction in 2008, you may have to report some or all of your state income tax refund received in 2009. Otherwise, do not include the refund in your 2009 taxable income.

Additionally, check for any unused capital losses, real estate passive losses, or charitable contributions that carry over into 2009.

- **Include the correct amounts of property taxes, mortgage interest, and points.**

Deduct the correct amount of real property taxes. On line 10 of your federal Schedule A, make certain you correctly deduct mortgage interest or points reported to you on a Form 1098 under your Social Security number.

For any mortgage interest or points paid that were not reported to you on a Form 1098, report these amounts on line 11 of your federal Schedule A. Include the payee name, identification number and address.

- **Deduct only the car value portion of the vehicle license fee.**

The vehicle license fee amount reflected in the Department of Motor Vehicles billing notice is deductible. However, the other portions of the billing notice --- the registration fee, weight fee, and air quality fee --- are not deductible.

- **Use the correct tax rate schedule or column in the tax tables to figure your tax.**

Reporting the amount of tax incorrectly could delay your refund or result in penalties and interest if you underpay your taxes.

- **Sign and date your returns.**

Be sure to sign and date your returns and include your occupation.

- **Fill out your checks properly if you owe tax.**

If you have to pay either the IRS or the FTB and are paying by check, be sure to sign the checks and include your Social Security number, the tax year, and the tax form number on your checks.

For example, include "000-00-0000 – 2009 Form 1040" on your check to the IRS, and include and "000-00-0000 – 2009 Form 540" on your check to the FTB.

File Your Return on Time

File your federal and California returns by April 15, 2010. If you need an extension, you should file IRS Form 4868 at this time, and you will automatically have until October 15th to file both your federal and California returns.

If you file for an extension, any income tax you owe must still be paid on or before April 15th. For more information refer to the IRS's website www.irs.gov or FTB's website www.ftb.ca.gov.

Help for People Who Owe Taxes

With many people facing financial difficulties, the IRS and FTB may be able to help people who owe back taxes.

If you are behind on your federal tax payments and need assistance, go the IRS's website www.irs.gov and type in payment plans at the search key. You may also call the number listed on any recently received IRS correspondence.

If you owe California back income taxes and cannot pay, you may request to make monthly installment payments. Go the FTB's website www.ftb.ca.gov and select payment options for more information.

Records You Should Keep After Filing Your Returns

You should keep copies of your tax returns for at least four years, along with substantiation of any credits and deductions claimed and copies of W-2 and similar forms.

Help Is Available

There are many free resources on the IRS and FTB websites that can assist you with your filing requirements. In addition, the IRS and the FTB have Taxpayer Assistance programs where you can obtain in-person help:

- Visit www.irs.gov or look in the phone book under "United States Government, Internal Revenue Service" for a listing of Taxpayer Assistance Centers.
- Visit www.ftb.ca.gov for a listing of approximately 1,800 California locations where trained volunteers provide free help during tax filing season. You can also contact the FTB toll-free at 1-800-852-5711 to find a location near you.

Betty T. Yee, Chairwoman of the Board of Equalization and a member of the Franchise Tax Board, represents the First Equalization District, which is comprised of 21 counties in northern and central California. The Board hears and decides income, business, and special tax appeals matters.